



U.S.-KOREA TRADE AGREEMENT

Washington Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Washington agricultural products, including apples, dairy, and beef. Washington's agricultural exports to all countries, estimated at \$3.0 billion in 2009, supported about 24,000 jobs both on and off the farm. These export sales make an important contribution to Washington's farm economy, which had total cash receipts of \$6.6 billion in 2009.

Fruits and Fruit Products. Washington growers and processors rank second nationwide in exports of fruit and fruit products, with shipments valued at \$1.2 billion in 2009. Apples are the largest agricultural industry in the state with cash receipts of \$1.2 billion in 2009.

- Fruits and fruit products that would gain immediate duty-free access include cherries, dried apricots, wine, and grape juice. Current duties for these products range from 15 to 45 percent.
- Tariffs for many other products such as frozen berries, apricots, and plums, which currently range from 30-45 percent, will be eliminated in either 5 or 10 years.
- The 45-percent tariff on apples (other than Fuji) and pears (other than Asian varieties) will be eliminated in 10 years.

Vegetables and Vegetable Products. Washington vegetable growers and processors are the second largest exporter nationwide with shipments valued at \$667 million in 2009. Potatoes were the third largest agricultural industry in the state with cash receipts of \$634 million in 2009. Under the KORUS agreement:

- Tariffs on asparagus, canned and processed tomatoes, frozen potato fries, and chipping potatoes (during the U.S. potato shipping season) will be eliminated immediately.
- A new 3,000-metric ton duty-free tariff-rate (TRQ) quota for fresh potatoes and a new 5,000-ton duty-free TRQ for dehydrated potatoes will bring opportunities for growers.
- Other products such as carrots, lettuce, dried mushrooms, and sweet corn, with duties ranging from 30 to 45 percent, will have tariffs phased out in either 5 or 10 years.
- The current 27-percent tariff on most pulses (peas, beans, and other legumes) will be eliminated within 5 years while the tariff for lentils will be removed within 10 years.

Dairy Products. The dairy industry is the second largest source of farm cash receipts in the state with earnings of \$682 million in 2009. Under the KORUS agreement:

- Duty-free TRQs will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Cattle and Beef. The cattle and calf industry is the fourth largest source of farm cash receipts with earnings of \$600 million in 2009. Under the KORUS agreement:

- For beef muscle meats, the agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Wheat. Wheat is the state's fifth largest agricultural industry with cash receipts of \$589 million in 2009. Washington is the nation's fourth largest wheat exporter with shipments of wheat estimated at \$373 million in 2009. Among the benefits to the Washington wheat industry are:

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or its autonomous TRQ of 1 percent.
- Although this tariff differential may be small, it provides a small tariff advantage when competing against Canada and Australia.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Washington to World
Dairy Products	\$2,335,000,000	\$214,000,000
Fruits and Fruit Products	\$5,714,000,000	\$1,178,000,000
Cattle and Beef	\$6,703,000,000	\$115,000,000
Vegetables and Vegetable Products	\$5,279,000,000	\$667,000,000
Wheat	\$8,598,000,000	\$373,000,000
Agricultural Total	\$96,633,000,000	\$2,969,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.